

Audit and Risk Committee minutes

18 January 2024

Details of attendees are provided at the end of the minutes.

1. Introductions and apologies

- 1.1. Apologies for absence were received from Paul Arnold and Angela Donaldson.
- 1.2. The Committee welcomed Lyn Bryant-Nichols. GIAA had reorganised its service delivery to reflect the 2023 Machinery of Government changes: Lyn Bryant-Nichols will lead the delivery of the 2024/25 internal audit programme, along with her team; Darren Hall and team will complete the 2023/24 internal audit programme.
- 1.3. The Committee welcomed Jo Macready who had joined the ICO as Head of Finance. The Committee noted that the Director of Finance is expected to return to the role full time from the end of January. The Committee thanked Louise Byers for providing interim cover, which had been invaluable to the smooth running of the ICO.
- 1.4. The Committee noted that this would be the last meeting that Graham Farrington would attend as the UKRN Next Gen NED observer. A new observer (Suzanne Cater) will attend meetings from April onwards meeting. The Chair thanked him for participating in the programme, and for his contributions to meetings.
- 1.5. Graham Farrington thanked the Committee, noting that the experience had been extremely useful in understanding the process and content of meetings, as well as the professionalism of members and attendees. He particularly thanked Ailsa Beaton and Louise Byers for providing additional insights and support.

2. Declarations of interests

- 2.1. No declarations of interests were made.

3. Matters arising from the previous meeting

Minutes

- 3.1. The minutes of the previous meeting had been approved as a correct record.

Actions

3.2. The Committee noted that two actions had been completed, and the remaining three actions could be closed as they were covered by agenda items.

4. Deputy Chief Executive Officer's update

4.1. Jen Green provided an oral update on recent activities related to the Committee's remit, including the recent decision on quantum funding and progress on agreeing the new fee model. The Committee noted that updates on the fee model would be reported to the Management Board meeting on 22 January.

4.2. There were also updates on the 2024/25 draft budget and levers which have been introduced to prepare for the predicted 2023/24 year end position, including a recruitment freeze and review of non-staff costs. The Committee discussed the achievability of fee income requirements for the last quarter of 2023/24, in particular in light of the recruitment freeze.

4.3. There was an update on the business planning process, which had been refocused on impact in the areas of improvement, transformation or the ICO's enduring objectives.

4.4. The Committee noted that the Workforce Plan would be presented to People Committee on 1 February. The Committee also noted that the Benefits Realisation work would be reported to Management Board on 22 January.

4.5. Louise Byers provided an update on the progress of the DPDI Bill, and discussions with DSIT about implementation plans – including timescale, roles, responsibilities and risks.

5. Finance

5.1 Scenario Planning for financial outcomes

5.1.1. Louise Byers presented a report setting out financial scenarios for 2024/25. The Committee noted that the recent decision about quantum funding meant that there is now more certainty than when the report was written.

5.1.2. The Committee discussed the projected use of reserves, and was assured that the projection takes into account the recent recruitment freeze. The Committee also noted the other spending assumptions included in the projections, and asked

about risks around the proposed capital to revenue transfers and the budgetary impact of the use of reserves in 2023/24.

ACTION: Louise Byers to confirm to the Committee any risks identified around the proposed capital to revenue transfers. Due date: 25/1/24

5.1.3. The Committee supported the new approach to business planning, emphasising the need for management to build in appropriate checks and balances to ensure that projects were developed in a controlled way.

5.2 Most recent income and expenditure report

5.2.1. Louise Byers presented a report setting out the November Management Accounts, noting that there is ongoing detailed work to review predicted expenditure before the year end.

5.3 Changes to accounting treatments

5.3.1. Louise Byers confirmed there had been no significant changes to accounting treatments during the current financial year, noting that the main change in the accounts is around climate and environmental reporting. NAO confirmed this assessment.

5.4 Single tender contract awards

5.4.1. Louise Byers confirmed there had been no single tender contract awards during Quarter 3 of 2023/24.

6. Risk and Business Continuity

6.1 Business Continuity and Cyber Security update, including annual review of Business Continuity Policy Statement

6.1.1. Joanne Butler presented a report setting out Business Continuity and Cyber Security activity over the last six months, along with the updated Business Continuity Policy Statement. The Committee noted that since the paper was written, Gold Team had undertaken a Business Continuity exercise which went well, resulting in useful lessons learned.

6.1.2. The Committee discussed the treatment of Cyber in the risk register, particularly in light of changes to the external threat landscape. The Cyber risk on the corporate risk register is reviewed on a monthly basis reviewed, taking account of the external environment and national risk register. The banding system means that mitigated risks tend to move within a box,

rather than between boxes. The Committee noted that a Cyber dashboard is provided to monthly ET meetings.

ACTION: Corporate Governance to share the ET Cyber dashboard with Audit and Risk Committee members. Due date: 25/4/24

6.1.3. The Committee noted the NAO Cyber and Information Security Good Practice Guide, published in October 2021.

ACTION: Mike Fitzgerald to provide an assurance report to the April ARC meeting to explain how the ICO has dealt with points raised in the NAO Cyber and Information Security Good Practice Guide, and highlight any areas which need to be addressed. Due date: 25/4/24.

6.2 Corporate risk review outcomes, including annual review of Risk Management Policy

6.2.1. Joanne Butler presented a report setting out the review of corporate risks, along with the updated Risk Management Policy for approval. The Committee discussed that, once a risk has been mitigated to within the risk appetite, there is likely to be no need to use resources to reduce the risk any further.

6.2.2. The Committee discussed how members could support the Management Board's review of risk appetite, noting the importance of distinguishing between the appetite for delivery (or doing) and the appetite for risk. The Committee noted that the Risk team will use case studies to help to bring the risk appetite to life. The Committee also discussed the difficulty of articulating risks in higher risk appetite areas such as the ICO's own use of AI; it may be easier to articulate an opportunity in these circumstances, rather than a threat.

6.2.3. The Committee noted that the procedures included a reference to the changes to the Orange Book made in May 2023; it also suggested that the policy updates should more explicitly refer to the updated Orange Book.

ACTION: Joanne Butler to add more detail to the policy and procedures to reflect changes to the Orange Book. Due date: 25/4/24

6.3 Counter fraud risk assessment findings

- 6.3.1. Louise Byers and Claire Churchill presented a report setting out the findings of the counter fraud risk assessment, which was developed by workshops and individual meetings with Directors.
- 6.3.2. The Committee confirmed that the approach was sound but noted that the scoring might be optimistic in some areas - particularly those which had been split into different types of risk..
- 6.3.3. The Committee particularly discussed Risk 3, suggesting that it might be useful to separate different types of insider fraud. A more nuanced approach might be appropriate, to reflect the different factors in play.
- 6.3.4. Committee members shared their experience with other organisations where a focus on training in payroll and procurement had improved fraud detection rates.

**ACTION: Louise Byers to update the risk assessment for Committee comments, and to add the scoring mechanism.
Due date: 25/4/24**

7. External Audit and annual report

7.1 External audit plan 2023/24

- 7.1.1. Naseem Ramjan and Michelle Hopton presented a report setting out the external audit plan for the 2023/24 annual audit, specifically checking that the Committee is not aware of any instances of actual or suspected fraud. The Committee confirmed that it was not.
- 7.1.2. The Committee noted that there had been some positive meetings between the ICO's Finance team, Deloitte and NAO to discuss the detail of the audit plan.
- 7.1.3. The Committee also noted that the ICO is required to lay the annual report in Parliament before 31 August, which in practice means before the summer recess.

7.2 Implementation of lessons learned from 2022/23 Annual Report and Accounts

- 7.2.1. Louise Byers presented a report summarising the current implementation of lessons learned from the production of the previous Annual Report and Accounts, noting that many points relate to the respective teams working better together.

- 7.2.2. The Committee noted that the lessons learned are definitely informing the spirit of the interactions for the planning meetings, and that people have worked diligently to ensure that lessons are implemented which has improved confidence in delivery. .
- 7.2.3. A high level plan has been developed by Deloitte, and their usual more granular plan will be developed and shared with the ICO as a joint project plan. This will outline the work required, delivery dates, responsibilities (ICO and Deloitte) and completion dates.
- 7.2.4. The Committee noted that as much testing as possible will be completed during the interim visit, including key judgements up to the end of February.

ACTION: The NAO's external audit report to the April Committee meeting will include feedback from the interim audit. Due date: 25/4/24

7.3 Annual report approach and timetable 2023/24

- 7.3.1. Louise Byers presented a report setting out the approach and timetable for the production of the 2023/24 Annual Report and Accounts. The Committee noted the report.

8. Internal Audit

8.1 Internal audit quarterly update

- 8.1.1. Darren Hall presented a report setting out progress with delivery of the 2023/24 internal audit programme, the implementation of the outstanding 2022/23 internal audit recommendations, and a "long list" of potential areas to be covered during the 2024/25 internal audit programme.
- 8.1.2. The Committee noted that the "long list" is based on discussions with Corporate Governance and management, but is still being refined. The Committee discussed the comprehensive long list, but requested an opportunity to provide substantive input to the discussion and understand how the short list is prioritised.

ACTION: Darren Hall to ensure that ARC members have input to the short list before it is finalised. Due date: 31/3/24

- 8.1.3. The Committee also requested that complaints handling is added to the long list.

ACTION: Darren Hall to add complaints handling to the long list of potential areas to be included in the 2023/24 internal audit programme. Due date: 31/1/24

8.2 Payroll internal audit

- 8.2.1. Darren Hall presented the Payroll internal audit report, which had been completed since the last Committee meeting.
- 8.2.2. The Committee noted that management have taken a considered view but have not accepted one of the recommendations, suggesting instead that a series of process reviews commencing in June 2024 will be used to determine which, if any, enhancements should be taken forward. The adequacy of this management response will be tested as part of GIAA's follow up work.

8.3 Health and Safety internal audit

- 8.3.1. Darren Hall presented the Health and Safety internal audit report, which had been completed since the last Committee meeting. The Committee noted the report.

9. Fraud and Whistleblowing report

- 9.1. Fiona Wilcock presented a report providing information on fraud or whistleblowing disclosures over the last quarter. The Committee noted the report.

10. Security report

- 10.1. Louise Byers presented a report providing information about security matters over the last quarter. The Committee noted the report.

11. Any other business

- 11.1. The Committee offered to meet with the external auditors outside of the usual meetings, if it would be helpful with the progress of the audit.
- 11.2. No other items were raised.

Attendance

Members

Ailsa Beaton OBE (Chair)	Non-Executive Director
David Cooke	Non-Executive Director
Jayne Scott	Independent Audit Committee member

Attendees

ICO

Claire Churchill	Corporate Governance and Secretariat Group Manager (item 6c)
Jen Green	Executive Director, Strategy and Resources
Joanne Butler	Head of Risk and Governance
Jo Macready	Head of Finance (items 4 and 5)
Louise Byers	Director of Risk and Governance

Internal auditors

Darren Hall	GIAA
Lyn Bryant-Nichols	GIAA

External Auditors

Ivy Wong	National Audit Office
Naseem Ramjan	National Audit Office
Michelle Hopton	Deloitte

Secretariat

Chris Braithwaite	Corporate Governance Manager
Fiona Wilcock	Corporate Governance Officer

Observer

Graham Farrington	Next Gen NEDs Programme
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